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Canadian Antiquarian Mar 1872

OLD COLONIAL CURRENCIES.

75 of each page

take an hour to read BY S. E. DAWSON.

New York Bankers Magazine Feb 1874



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NOTE.

Since the preceding paper was written, Prince Edward Island has joined the Confederation and its currency has been assimilated to that of the other Provinces of the Dominion of Canada.

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During the earliest period of the history of the English

Massachusetts was in 1630 80 lbs - 46 Cap - 16 lines

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HOWEVER true it may be that the history of European nations is merely the biography of a few great men, such an assertion cannot be made concerning the history of America. Hence the history of the New World, though it may lack the strong personal interest which attaches to the record of great kings, statesmen, or generals, has the surpassing interest of being the record of experiments, political, social and religious, of some of the most highly gifted races of Europe, made under conditions of singular freedom, both from the straitened forms of old world society, and from the dominating individuality of great men. Social experiments in America have succeeded or failed in consequence of their inherent virtues or defects, and have not been strained by outward pressure beyond their natural limits. Our present purpose is to chronicle some of the experiments which have been made in the New World in the important department of finance. We do not hope to establish any theory of money, or elicit any new principle. Experiments are still being made, and, doubtless, the true theory will in time appear.

In America, within a comparatively short period, every conceivable form of currency has been tried. The accounts of the New Netherlands (now New York State) were, in 1662, kept in wampum and beaver skins. That currency does not appear to have been more stable than others; for, in that year, complaints were made of its increasing depreciation, and the Chamber of Commerce at Amsterdam credited all its colonial officials with twenty-five per cent. additional salary in beaver skins to cover their loss, a precedent too seldom followed in later and more progressive times.

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colonies whatever exchanges were not made by barter were made in a specie currency, consisting mainly of French and Spanish coins. These, being much worn and depreciated by constant clipping, were often weighed out in primitive style, and settlements were made, and salaries fixed, in ounces of silver-plate. Curious complaints were made to the Home authorities, and recriminations were frequent between the colonies regarding the clipping and defacing of coins. The dollar or piece of eight reals, passed at a different rate in each colony and the colonial legislatures all fancied that the best way of attracting money was to raise its nominal value. Competing traders, even in the same colony, vied with each other in giving the highest nominal value to the dollar. Pennsylvania endeavoured to draw money from New York by calling the legal value of a dollar 7s. 6d. New York had previously made the same attempt on Massachusetts by fixing upon 6s. 9d, and New Jersey got the better of both in the current opinion of that day by allowing 7s. 8d. for the same coin. These rates varied by colonial enactment from time to time, and Governor Hunter, of New Jersey, writing to the board of Trade at London, "doubts if it "be in the power of men or angels to beat out of the heads "of the people of this continent a silly notion that they gain "by the augmentation of the value of pieces of plate," (*i. e.*, dollars.) This notion is held to the present day in Prince Edward Island where it is still supposed that money stays upon the Island because the nominal value of the shilling sterling is 1s. 6d. currency. The Boston people of those days were not, however, so easily beaten, although they kept the value of the dollar below the rate in the other colonies. One of the Governors of New York makes earnest appeal to London against them, "because having the main foreign "trade, they bring goods to New York which they will sell "only for good heavy money, which they carry away and clip, "and then send back this light money to New York for bread-

"stuffs, which they ship to the West Indies and undersell the New Yorkers there in their own productions." The indignant governor calls loudly for the interference of the Mother country to check those singular financial operations of the lively Bostonians. Throughout all the correspondence between the colonial governors and the Mother country the necessity of one general standard of value was continually urged, and the efforts of the Home Government and their officers to that end were as continually and pertinaciously thwarted by the colonists in their various assemblies.

Still at that time, the currency, such as it was, was of gold and silver. Schuyler and Dillon, who made an expedition into Canada in 1698, report with apparent surprise that there the currency consisted of paper only, but the power of a paper currency was shortly after discovered by the English colonists, and Massachusetts, as usual, took the lead. Although the need of it was not so much felt in the town of Boston, which had a large foreign trade, the people elsewhere were often in great straits for the want of some medium of exchange. The colonists could live in a rough sort of abundance—they had no need for food or shelter; but the pressing wants of existence being easily satisfied there soon arose a demand for Manufactured goods—the luxuries of the old world. Moreover the settlers were continually extending their boundaries—and subduing new land, and their capital was thus being fixed as fast as acquired, consequently they were always heavily in debt to the Mother country, the exportable money was incessantly swept away to England by the adverse balance of trade, and large communities were frequently reduced to barter, for want of a common measure of value.

The Navigation Laws, so far as they were observed, tended greatly to increase this inconvenience by compelling, or seeking to compel the colonies to trade with England alone, and thus aiming to centre in England all the profits of both sides of the American trade. The staples of America, such

as tobacco, indigo, and (from the West Indies) sugar, could be exported to no other European port but England ; they might be sent to other British colonies but only on payment of an export duty. The colonists could legally import manufactured goods from England alone, thus paying the price demanded by the English merchant, while their own exports could not bring in the often glutted English markets their fair value in the markets of the world. No wonder, then, that the available money always gravitated towards England, and, if it had been possible to have enforced these laws strictly, the Americans could never have had any money with which to eke out their remittances in produce.

These laws were, however, in practice almost wholly disregarded. There grew up between the commercial colonies and the foreign West Indies and Spanish Main a large and lucrative traffic. The Boston merchants pushed their ventures everywhere, and the surplus produce of the colonies—the lumber, fish, and grain, found a near and ready market in the Spanish colonies of the Gulf of Mexico. There they were exchanged for specie—the gold and the silver, which were staple exports of Mexico,—and hence the coins of Spain, the doubloon, and especially the dollar, became the standard coins used in American trade, although the nominal currency was calculated in pounds, shillings and pence. With the money so obtained remittances were made to England ; for the Spaniards had little the colonists stood in need of. The English trade was thus fed by a systematic infraction of English law, conived at by everybody, so long as the French power remained unbroken in Canada. When that fell the latent divergence of interest became apparent, and the attempt of Parliament to stop this illicit trade by enforcing the Navigation Act was the real cause of the American Revolution—the Stamp Act was the pretext.

The specie thus obtained and the heavy tobacco remittances from Virginia could not pay the debts of the colonists and

leave sufficient money for domestic use. The colonists were always pushing their settlements westward, and the drain of money to England was continual. Moreover the incessant wars with the Canadians and with the Indians often demanded great exertions from the Colonial Governments. Then the wonderful power of paper money was called into requisition. The various Governments (Virginia excepted) issued Bills of Credit for five shillings and upwards ; with these they tidied over great emergencies, and, as they became accustomed to them, they paid with these current expenses of Government. It seemed to the colonists that they had discovered a new El Dorado. In some colonies loan offices were opened by Government, and these bills loaned to private parties on land security at interest. In Rhode Island the interest might be paid in hemp, flax, or other produce, so that in appearance the Government derived an ample revenue without imposing a tax. The bills were made a legal tender, and as fast as one set of bills matured, others in increased amount were issued. The Government and the people were mutually accommodated, the currency passed readily from hand to hand, satisfying all the domestic exchanges, and causing for years a great apparent prosperity; but the inevitable result followed. There was no limit to the issue but the moderation of the people who were the issuers, In 1738 one specie dollar in Massachusetts would buy five, in North Carolina fourteen, and in South Carolina eight paper dollars. Massachusetts, ever in advance, was the first to push these issues to the utmost, and the first to abandon them. The great efforts made by that colony in 1745 in fitting out the expedition which resulted in the capture of Louisbourg, brought the currency and credit of the Province to its lowest ebb ; and the evils of unrestrained paper issues became so apparent that when England, exulting in the prowess of her daughter colony, refunded the cost of the expedition, the grant was used to place the currency upon a specie basis,

which continued until the Revolution. The Government brought up all its outstanding bills by paying one Spanish dollar (six shillings legal par value) for every 45s. of the older, or 11s. 3d. of the more recent issue. This somewhat sharp financial operation was justified by the consideration that, the bills being no longer in possession of the original holders, and being largely depreciated, to pay their nominal value would be to impose a tax upon the people, to which the "people" generally objected.

The other colonies (Virginia excepted) never afterwards obtained a specie currency. Pennsylvania in 1723 issued a small quantity of paper at five years date. In 1729 Benjamin Franklin was one of the most strenuous advocates for a further issue. His pamphlet "Considerations on the necessity and value of a paper currency" largely influenced public opinion, and the printing of the issue which was entrusted to him probably tended to strengthen his convictions. Writing in his later years he confesses, however, that his views had changed, and that paper money might be abused; but the current theory among the people then was, that as gold was representative of value, so paper was a representative of gold, and of value, by a double substitution. So firmly wedded did the people become to paper money that even in Massachusetts, when the Assembly were making efforts to return to a specie basis, riots occurred among the country people, who fancied it was a plot of the rich Boston merchants to sweep up all the money for their English remittances.

Paper money being as before stated, a legal tender in most of the colonies, strange feats of finance were performed. Instead of remitting to England, payment was often made to a resident agent, who would be compelled to receive the amount in paper at its nominal value. Sometimes the debtor class would get control of the issues, then money would be abundant, and mortgages, contracted in more unpropitious

times, would be paid off. Again other interests would get the upper hand, issues would be checked and money would become scarce, then mortgages would be foreclosed and property brought to Sheriff's sale, when all who had ready money might buy to advantage. Specie was a premium, varying in each colony with the amount of the paper issue, and differing at different times in the same colony. The injustice became so great that in the year of the Stamp Act, Parliament passed a law forbidding Colonial Legislatures to make paper a legal tender, a law which caused great bitterness in the Middle Colonies, and which is alluded to among others in the Declaration of Independence, where the king is arraigned for "having refused his assent to laws the most wholesome, just and good."

Putting aside, however, for the present all considerations of the fluctuations caused by paper money, it must be observed that there was all the while a legal par of exchange, differing in each colony, based on a value of the pound sterling

Thus in Massachusetts £1 stg.=£1 6s. 8d. currency. In New York £1 stg.=£1 15s. 6¾d. currency. In Pennsylvania £1 stg.=£1 13s. 4d. currency. In South Carolina £1. stg.=£1 0s. 8 8/9d. currency. The sterling pound had four different values in as many West India Islands, and a yet different one in Nova Scotia and in Newfoundland. The exchange book of Colonial days "Wright's American Negotiator," was a thick octavo, giving the rates of premium up to one thousand per cent. These old currencies even now linger in the speech of the country people. 1 Massachusetts 16⅔ cents is now often called a shilling, for it was the sixth part of a Spanish dollar, which used to pass for six shillings. In New York a shilling still means 12½ cents, because the Spanish dollar, was eight shillings at legal par in colonial days; and in Ontario the same usage, inherited from the U. E. loyalists, still prevails.

In all this chaos of currencies it is pleasant to find one

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fixed value which endured during nearly all the period we have been concerned with, and which, although it has disappeared in outward form, is yet present latently in every exchange calculation made at this present day—we mean the old Spanish dollar. We have already seen how it became the almost universal coin in America, and during nearly the whole Colonial period, namely, up to the year 1772, it contained the same quantity of pure silver.

There were in circulation four kinds of dollars, viz. :—"Seville pieces of eight," "Mexican pieces of eight," "Pillar pieces of eight," "Peru pieces of eight." These pieces, of the value of eight reals Spanish "old plate," were all called "dollars," and were all of the same weight—17 dwts. 9 to 12 grains of silver, of a standard fineness of 11 parts pure silver to one of alloy. But the legal par at which they passed differed very much in the colonies. At the time of the Revolution it was 6s. in Massachusetts, 8s. in New York, 7s. 6d. in Pennsylvania, and 4s. 8d. in South Carolina. Very early in Colonial history the inconvenience of a varying par was felt by many, and the governors especially urged the Home authorities to put a stop to it. Accordingly in 1707, the sixth year of Queen Anne, an Act was passed by the Imperial Parliament, declaring the value at which foreign coins should pass in the colonies. This enactment was based upon careful assays, and fixed the value of the Spanish coins

issu'd * as follows :—

387 gr	—	Seville pieces of eight "old plate,"	-	4s. 6d. Stg.
385½ gr	—	Mexico	"	4s. 6d.
385¾	—	Pillar	"	4s. 6¾d. "
		Peru	"	4s. 5d. "

It was also enacted that in future the dollar should not be accounted for in any of the colonies above the rate of 6s. currency. This statute was utterly disregarded in America, and like most other Imperial statutes, became a dead letter. Some attempt was made in New York by the governor to

enforce it, but the proclamation was withdrawn, because, as the governor alleged in excuse, "it was injurious to the trade of New York to cry down the value of the dollar while the neighbouring colony of Massachusetts treated the Statute "with contempt." The letters of the New York officials of those days are very plaintive concerning the misdeeds of the Boston people, who seem always to have done as they liked, and to have paid no more attention to an Imperial statute which might not meet their approval, than to a Papal bull. This statute had, however, the effect of placing an authoritative value in sterling money on the coin most in use in America.

The value of the Spanish dollar was based not only upon its weight and fineness, but, of course, upon a comparison with the weight and fineness of the British silver coins then in use. The standard remained unchanged for silver in England from the time of Queen Elizabeth to the year 1816. One pound of silver of the fineness of 11 oz. 2 dwt. was coined during all that period into £3 2s. od. stg. There were therefore 5,328 grains of pure silver in 62s. stg., and the dollar contained 385 grains pure. The proportionate value of the dollar is then easily seen to have been 4s. 5 $\frac{4}{5}$ precisely, and as, at that time, the standard value of silver was in reality less than its commercial value, 4s. 6d. was fixed upon by the Statute. This was practically underrating the dollar, and as fast as they arrived in England they were sold as specie and exported.

It thus happened that the par of 4s. 6d. stg. to the dollar became a fixed standard, to which all American values could be referred. And such it has continued during 164 years down to the present day, for this is PAR, or \$4.44 to the £ sterling. It is sometimes called old par—it is the par with which all our books of exchange tables commence—the par upon which all our calculations are based, from Montreal to New Orleans. The present legal par in Canada is a 9 $\frac{1}{2}$ % premium on that par. The Spanish dollar has changed, the British silver

coins have changed, and the currencies of America have fluctuated, but the par of 1707 remains yet as the one fixed point in the sea of confusion.

We come now to revolutionary times. The extraordinary expedients of the Revolutionary Congress are among the best known incidents of history. The war was fought on the American side with paper money up to the time when the French expedition under Rochambeau landed, and brought the specie which was as necessary to success as bayonets. It would be tedious to narrate the steps by which the Continental money depreciated to 1000 to 1—until it finally disappeared. The leading spirits of the Revolution saw the necessity of laying a direct war tax, but they could not obtain the consent of Congress. "Do you think," said a member of Congress (quoted by Greene; Historical studies) "that I will consent to tax my constituents, when we can send to the printers and get as much money as we want?" The farmer who refused to take this money for his produce was treated as a traitor, and had his property taken from him for his disloyalty, but no enactment could keep it from depreciating. Meantime the presses of the different States teemed with issues of their own during the war, and up to the period of the full consolidation of the Union in 1790. Their paper added to the volume of the currency and to the utter confusion of values.

Immediately after peace was declared the efforts of all thinking men were turned towards consolidating the Union, and for several years the proposed Constitution was discussed in every town and hamlet. But even then the lurking attachment to paper money was evident. Some of the States were unwilling to resign the right of issue, and it was not until 1790 that Rhode Island joined the Union, and its citizens finally relinquished their cherished habit of paying their debts in paper. The State Governments were forbidden by the new Constitution to make anything but gold and sil-

ver a legal tender, or to issue Bills of Credit. Inconvertible paper money from that period disappeared in America, until the Federal Government, exercising a power not apparent in the Constitution, repeated, in our own times, the experiment with happier results.

So soon as the new Constitution began to work, it was, of course, necessary to provide a revenue, and to fix values. The first Congress in 1789 passed an Act imposing Custom duties. By this Act the pound sterling was valued at \$4.44, or 4s. 6d. stg. to the dollar. Thus the old par of Queen Anne was restored, and the rate was called *Federal currency*, to distinguish it from the various State currencies. Still, there was no Federal coinage, and coins from all parts of the world were taken at the Custom Houses at a statutory value. In 1792 Congress organized the United States mint, permitting the circulation of the foreign coins for three years longer, until the new national coinage should be ready, and establishing the national standards—the Eagle to be counted at \$10, and to contain 270 grains of gold of the fineness of 22 carats, and the dollar to contain 416 grains of silver 892.4 thousandths fine.

Changes in the currencies of Spain, of England, and of America now concurred to disturb the par of \$4.44. In 1772 the fineness of the Spanish dollar had fallen from 11-12ths to 10 $\frac{3}{4}$ -12ths. In 1774 silver had ceased to be a legal tender in England (in sums over £25) excepting at the rate of 5s. 2d. an ounce. The exchange between America and England was thenceforward regulated by the intrinsic value of their gold coins alone, a change which became more apparent in 1816, when England adopted the gold standard exclusively, and made her silver coins tokens only by coining the same weight of silver into 66s., which had previously (since the year 1666) been coined into 62s. The average value of the dollar of Spanish and American coinage in 1795, 1798 and 1803 was 4s. 4d. stg., calculated at the Mint

rate of 5s. 2d. sterling per ounce. In other words the par of exchange on the basis of the dollar was $3\frac{7}{8}$ premium on old par. The Federal dollar remained unchanged until 1837, when it was reduced. The weight was made $412\frac{1}{2}$ grains, and the fineness $9/10$ ths; since that time the dollar has not been altered. In 1853 the half dollars and smaller coins were still further reduced, but without affecting the exchanges, for, as before stated, all estimations of exchange after 1793 should be made on gold and not on silver standard.

In order then to ascertain the various changes of new par since the revolution, the gold currency of England must be considered. This had been fixed by advice of Sir Isaac Newton in 1717, and has ever since remained unchanged. One pound of gold, of 22 parts pure to 2 alloy was, and is yet, coined into £46 14s. 6d.; but the Eagle, the standard American gold coin, has undergone three changes as follows:—

VALUE OF THE EAGLE COMPARED WITH THE SOVEREIGN.

Date.	Weight.	Fineness.	Weight of Fine Gold.	Value stg.	Par.	Value of Sovereign in U.S.
1792	270 gr.	Same.	$247\frac{1}{2}$ gr.	43s. 9d.	$2\frac{7}{8}$	4.57 £ stg.
1834	258 gr.	$\frac{890}{1000}\frac{1}{4}$	232 gr.	41s. $\frac{1}{4}$	$9\frac{5}{8}$	4.87 £ stg.
1837	258 gr.	$\frac{900}{1000}$	232.2 gr.	41s. $\frac{3}{4}$	$9\frac{9}{16}$	4.87 £ stg.

It therefore clearly appears how the present par of exchange became fixed at so large a premium upon the old par of Queen Anne.

These changes in the value of the United States coinage affected in course of time the legal par of the loyal colonies. The currency of Canada was for a long period in great confusion, for having no Colonial coinage, the coins of all na-

tions passed at values fixed by Statute with little apparent relation to intrinsic value. The first Statute is that of 1777. In 1795 the Customs Act declares that £5,000 stg. is equivalent to £5,555 11s. 1½d. currency. The old par of 1707 was evidently then the legal par. In 1808 a Currency Act was passed enumerating the most common coins—these were French coins, remaining from the period of French rule, Spanish and Portuguese coins, British coins, and United States coins. The guinea (21s. stg.) was valued at 23s. 4d. currency, the 1s. stg. at 1s. 1d., the Eagle at 50s., and the Spanish and American dollar at 5s. Thus the attempt was made to keep the currency at old par when reckoned in English coins, and at 2⅞ prem. (or American par) when reckoned in United States coins. For if the guinea (21s.) was worth only 23s. 4d. currency, the eagle, which at that time was of intrinsic value for 43s. 9d. stg., could be worth only 48s. 7d. currency, instead of 50s. as enacted. The shilling sterling was undervalued as regards the dollar in the same ratio. This seems to have had the very natural effect of driving all the British coins out of circulation, and in 1825 an Imperial Order in Council was issued, fixing the value of the dollar at 4s. 4d. stg. in British silver coin, and making provision for the introduction into the colonies of British silver in large quantities, by means of the Commissariat, and ordering that such coin should pass at its nominal value as in England. These regulations do not appear to have had much effect, for in that same year the value of the shilling was raised in Upper Canada to 1s. 2d. currency. In 1836 the same Province again raised the value of the shilling stg. to 1s. 3d. currency, and also fixed the value of the pound sterling at 24s. 4d., assimilating the legal par to the change of 1834 in the United States par, but over-valuing the sterling shilling.

An effort was made in 1839 by both Provinces to remedy this anomaly, but the bills passed failed to receive the Royal

assent, and it became one of the first duties of the Parliament of United Canada in 1841 to remedy the confusion. The par of 24s. 4d. to the £ stg. was retained, but the silver was reduced to its proper proportionate value, and could only be used as a legal tender to the amount of 50s. currency. The convenience of easy reckoning and the competition of traders still kept up the current value of the British shilling to 1s. 3d. in spite of the Act, and the currency gradually became overloaded with British silver.

The subsequent changes in our currency are too recent to require much notice. The dollar which in 1841 had been raised to 5s. 1d. was reduced in 1850 to 5s. And in 1851 the decimal system displaced the intricate and cumbrous denominations of pounds, shillings and pence. Every reader will recall the circumstances which led to the pouring of all the United States silver coinage into our already overloaded silver currency, and the various expedients vainly resorted to for relief until the effectual remedy of the present finance minister was applied. The Act of 1854 fixed our currency on its present basis, confirming the par of 1841 of \$4.86 $\frac{66}{100}$ or 24s. 4d. currency to the £ stg. or 9 $\frac{1}{2}$ % premium on the par of Queen Anne.

The Confederation of the British North American colonies and the consequent extension of the Canadian par has left but two anomalous currencies among the English speaking people of this continent. In Newfoundland the par of 4.80 to the £, or 8% premium prevails, and the little Island of Prince Edward still rejoices in the enormous premium of 35 $\frac{1}{8}$ %, or 30s. to the pound stg. We may surely hope that the time will shortly arrive when, not only these anomalies will disappear, but when the mother country will adopt a decimal system which will facilitate computation, and thus increase trade with all her children throughout the world.

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